DOCUMENT RESUME

ED 176 389 EA 012 100

TITLE	Financial Planning and Accounting Handbook for Congregations and Schools. Planning for Lutheran Elementary Schools. E08.
INSTITUTION	Lutheran Church, Missouri Synod, St. Louis, Mo.
PUB DATE	78
NOTE	60p.; For related documents, see EA 012 093-105
AVAILABLE FROM	Board of Parish Education, The Lutheran Church - Missouri Synod, 3558 South Jefferson Avenue, St. Louis, Missouri 63118 ($1.50; $12.50 set of 13)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	*Bookkeeping; *Budgeting; Elementary Education; Long Range Planning; *Parochial Schools; *School Accounting; School Planning
IDENTIFIERS	Charts of Accounts; Financial Projections; Financial Statements; Fund Accounting; *Lutheran Elementary Schools

ABSTRACT

Part of a 13-volume series designed to help Lutheran communities assess the feasibility of starting a Lutheran elementary school and to assist ongoing schools in current operation, this handbook focuses on financial planning and accounting systems for Lutheran schools and congregations. A chart of accounts is presented as the foundation for building the accounting system. Financial statements and other reports are based on the chart of accounts and a bookkeeping system that includes fund accounts. Budget formats, procedures, and time lines are described as being built around the financial statements and based on the concept of an integrated system. Finally, five-year financial projections are developed that have as their foundation the budgets, financial reports, and chart of accounts. Sample financial statements and charts of accounts for both church and school are included. (Author/JM)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL NATIONAL INSTITUTE OF EDUCATION POSITION OR POLICY

ED176389

FINANCIAL PLANNING AND ACCOUNTING HANDBOOK

FOR CONGREGATIONS AND SCHOOLS

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

A. Senske

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

PART ONE ACCOUNTING SYSTEM
PART TWO BUDGETING
PART THREE FIVE YEAR PROJECTIONS

PLANNING FOR LUTHERAN ELEMENTARY SCHOOLS

EA 012 100

E08

FOREWORD

Lutheran schools in America are flourishing.

Many Lutheran communities are presently conducting feasibility studies to determine if they can have a Lutheran school for their young people. The need for materials to help Lutheran congregations conduct feasibility studies and make responsible educational decisions has become quite urgent.

Through the coordinated efforts and generous financial help of Aid Association for Lutherans, representatives of the educational offices of the Association of Evangelical Lutheran Churches, American Lutheran Church and the Lutheran Church-Missouri Synod have combined their efforts in the development of PLANNING FOR LUTHERAN ELEMENTARY SCHOOLS materials. These materials are companion to PLANNING FOR LUTHERAN HIGH SCHOOLS, and PLANNING FOR LUTHERAN EARLY CHILDHOOD PROGRAMS.

PLANNING FOR LUTHERAN ELEMENTARY SCHOOLS has been designed to help Lutheran communities assess the feasibility of a school for their young people and make plans and responsible decisions for the establishment of a school. Resource materials are intended to assist existing schools in their ongoing operation. While these materials are designed to help congregational leaders, it is advisable to consult with synodical (district or regional) leaders as you begin planning your feasibility study.

Often the principal will be the first person to read this manual. I urge the principal to know the content of this document thoroughly. The principal will order additional copies for those who will benefit from its use. The above is true also for directors of education and early childhood programs.

The work of the following writers is herewith gratefully acknowledged: Dr. Glenn Bracht, Mr. Robert Eggold, Mr. Eldor Kaiser, Mr. Donald Kell, Mr. Ellsworth Kierbs, Dr. Glenn Kraft, Mr. Kenneth Markworth, Mr. Neal Meitler, Rev. Paul Pallmeyer, Mr. Richard Sauer, Mr. Wilbur Tewes and Dr. Martin Wessler. A special word of thanks to the synodical leaders who gave counsel and encouragement in this project: Dr. Victor Constien, Mr. Glenn Moenning, Dr. Al Senske, Dr. Marlin Schultz, Mr. Donald Vetter and Mr. Donald Zimmerman. Thanks to Lois Prahlow for artwork; Jim Reigles for editing; Lois Brandt, Harriette Johnson and Florence Schoenfeldt for typing and Trip Gesch for printing. To Aid Association for Lutherans staff members: Dr. Martin Koehneke, Mr. Fred Pahl, Mr. William Selle and Mr. Donald Stoike thanks for their encouragement and counsel.

These materials are dedicated to the glory of God for the extension of Lutheran education.

Printed in Milwaukee, Wisconsin
School Year - 1978-79

Martin F. Wessler
Project Director

TABLE OF CONTENTS

Page No.

Foreword

Introduction

Part One - Accounting System. . . . . 1 - 26

A. Steps to be Taken in Establishing an Accounting System 1

B. Chart of Accounts. 3
1. Principles
2. Instructions for Use
3. Account Numbers, Titles and Descriptions

C. Bookkeeping System 6
1. Bookkeeping Structure
a. Terminology
b. Ledgers and Journals
c. Steps Required to Post Entries and Prepare Reports
d. School Financial Records
2. Prorating Expenses Between Congregation and School
3. The Accounting Year
4. Assignments and Job Descriptions

D. Fund Accounting. 13

E. Financial Statements 15
1. Principles
2. Income and Expense Statement
3. Financial Position Report or Balance Sheet

Exhibit A. Income and Expense Statement - Church. 19

Exhibit B. Income and Expense Statement - School. 22

Exhibit C. Consolidated Congregation Income and Expense Statement. 24

Exhibit D. Financial Position Report. 25

Exhibit E. Fund Account Statement 26

	Page No.
Part Two - Budgeting	27 - 34
A. Principles of Budgeting	27
B. Budget Guidelines	28
C. Budget Planning Steps	28
D. Budget Calendar	31
E. Cash Flow Projections	34
Part Three - Five Year Projections	35 - 40
A. Principles of Projecting	35
B. Projection Form	35
C. Steps in Projecting	36
D. Documentation of Assumptions	38
E. Annual Update of Projections	38
Appendix	
A. Chart of Accounts - Church (Numbers, Titles and Descriptions)	41
B. Chart of Accounts - School (Numbers, Titles and Descriptions)	47

INTRODUCTION

Good fiscal management should be an important objective of every Lutheran congregation and Lutheran school. Effective management is dependent on the development of an accounting and budgeting system that meets the needs of the congregation. A good accounting system is not an end in itself, but is an essential tool which enables the congregation and school to conduct their ministry. Responsible fiscal management will:

- Enable congregation leaders to manage efficiently the affairs of the institution,
- Provide data for informative stewardship programs,
- Promote the wise use of funds for high-priority programs of the congregation,
- Permit the efficient use of financial resources in the elementary school and other major programs sponsored by the congregation.

Many unfortunate experiences of congregation and school stem from poor accounting systems and lack of fiscal control. As Lutheran congregations attempt to avoid these problems in the future, it is hoped that many will seriously consider using the accounting system presented in this handbook. Some problems encountered by congregations are listed below so that readers can appreciate the need for establishing a good accounting system.

- The bookkeeping system changes with the appointment of every new treasurer, resulting in a lack of consistency through the years.
- Some treasurers, not skilled in bookkeeping, present reports which are confusing, inaccurate, and fail to help the congregation make decisions.
- Monthly financial reports are often inconclusive or late so it becomes impossible to use them, resulting in confusion and frustration.
- The Board of Education is unable to be accountable because it lacks financial data. Tension levels increase as groups disagree over priorities.
- Audit trails do not exist, making it difficult to retrace financial activities.
- Bills are unpaid and withholding taxes are not remitted, resulting in a poor financial reputation.
- The integrity of the treasurer is suspect when he is unable to account for funds.
- Fraud cannot be identified or traced.

The accounting and budgeting materials in this handbook are appropriate for congregations with or without elementary schools. The materials will also be helpful for new mission congregations as they seek to establish their first bookkeeping system. Existing congregations may wish to revise or update their accounting system and can utilize the materials in this handbook as well. In most cases, some modifications of the accounting system may be necessary in order to accommodate the unique needs of local situations. However, it is highly recommended that the entire system be used whenever possible. Many congregations desperately need an accounting handbook for new treasurers. If the congregation or association of schools chooses to adopt the proposed system with only minor modifications, this handbook can serve as the "how to" for every new treasurer. A treasurer's handbook will go a long way toward helping the congregation establish continuity in its accounting system.

Special emphasis is placed on accounting for a Lutheran elementary school. Expenditures for a Lutheran elementary school account for a large portion of the congregation's budget; so it becomes essential to design a system which adequately accounts for the school's program and its financial impact.

This handbook is written for the layman; it avoids sophisticated terminology and presents relatively simple reports and procedures. Congregation treasurers who are trained as accountants may wish to expand on the recommendations of this handbook. Because many church treasurers are not skilled in financial affairs, this document intentionally provides materials which can be understood and used by them.

Perhaps a good way to begin a handbook on congregation and school accounting is to discuss the subject of business procedures and techniques as they relate to a Lutheran congregation. Because many congregation leaders are business people, it is important to comment about the business nature of the financial and accounting system. Pastors and others also need to know the circumstances under which business techniques are appropriate or inappropriate in administration of the congregation's affairs.

Sometimes a double standard is applied with respect to sound business management in the church. A businessman will adopt the latest management techniques in his commercial organization, but as a lay leader in the congregation will shy away from applying the same techniques to the business affairs of the church. Some lay leaders are fearful of the church becoming too "businesslike."

Christian stewardship includes not only the "giving" of resources, but also the proper use and care of resources. Congregations and elementary schools need to use sound business and financial management practices so that they can realize maximum efficiency in the use of services and material gifts. Using effective business techniques help achieve accountability and credibility for the institution. A good financial planning and accounting system provides the opportunity for establishing priorities, planning, and control of the planned activities.

One factor requiring discussion at this point is the recommendation of this handbook that budgets and financial reports for the elementary school be presented separate from and in addition to the congregation's budget and reports. In all other areas it is recommended that the congregation operate with a unified budget. Admittedly, most Lutheran congregations with schools presently operate with a single financial statement and a single chart of accounts. The rationale for recommending separate reports for the school is based on the following:

- The school budget is a very large portion of the total congregation budget. Accountability is possible only when income and expenses are accurately accounted for and presented.

- Monthly and annual control of school costs necessitates separate financial statements.

- The Board of Education should be responsible for the complete school budget and annually arrive at a reasonable cost-per-pupil. Separate cost accounting is needed to insure that costs are known and controlled.

- The school staff should feel accountable for educational programs and their related costs. Separate accounting allows for planning and control of school costs by the school administration and staff.

- Tuition and fees, when used, should be established on the basis of cost figures.

Separate accounting for the school should in no way cause it to become less integrated with the total ministry of the congregation. The school is a major part of the congregation's ministry and should at all times function in concert with the objectives of the congregation. Planning, control and accountability are the only reasons for separate accounting. The church treasurer remains responsible for processing all income and expenses for the school and also prepares all financial statements. This handbook does not recommend two accounting systems, but does suggest separate financial statements and budgets for the school for better visibility and control.

The materials which follow discuss many components of the financial planning and accounting system for Lutheran congregations and elementary schools. Based on the experience of numerous congregations and schools, this handbook attempts to relate to the unique needs of Lutheran institutions. A Chart of Accounts is presented as the foundation for building the accounting system. Financial statements and other reports are based on the Chart of Accounts and bookkeeping system as their source of information. Budget formats, procedures and time lines are built around the financial statements and are based on the concept of an integrated system. Finally, five year financial projections can be developed which have as their foundation the budgets, financial reports and Chart of Accounts.

PART ONE ACCOUNTING SYSTEMS

The accounting system described in this section can be utilized by Lutheran congregations with or without elementary schools, or by an association of elementary schools. For ease in writing, these materials are addressed to the congregation with an elementary school. Only minor modifications have to be made for the congregation without a school or for the association of schools.

A. STEPS TO BE TAKEN IN ESTABLISHING AN ACCOUNTING SYSTEM

When establishing a financial planning and accounting system, a series of steps must be taken to initiate the program. Listed below are sequential steps which will enable institutions to initiate and also refine their system. These steps are appropriate when a new mission congregation is being started, when congregations or schools are merged or consolidated, or when an existing congregation decides to drop its old accounting system and adopt a new one.

In an effort to help the reader clearly understand how this accounting system can be introduced in the congregation, we have provided a "roadmap" in the section which follows. The "roadmap" briefly describes each component of the system, lists the steps to be taken, and refers the reader to appropriate sections of this handbook where information can be found. When reviewing the following steps it will be helpful to turn to various sections of the manual to review the examples and descriptions.

Establishing the Chart of Accounts

Materials on pages 3 through 6 explain the purpose, principles and guidelines related to establishing a Chart of Accounts. Appendices A and B contain a complete Chart of Accounts for Lutheran congregations and schools which can be used in its entirety or can be modified by your congregation.

Step 1: Study pages 3 through 6 to gain a clear understanding of the proposed Chart of Accounts.

Step 2: Study each account in Appendices A and B to determine the appropriateness of the accounts for your church and school.

Step 3: Add new accounts for which there is an obvious need. Congregations and schools sometimes have specialized or unique ministries and the Chart of Accounts should be modified to reflect these special needs. Also, delete accounts which will not be needed in your situation.

Step 4: Agree on a numbering system for each account title and description.

Step 5: When all changes have been made, retype Appendices A and B reflecting the accounting system as it will be used in your congregation.

Establishing the Budget and Budgeting System

Materials in PART TWO: BUDGETING, pages 27 through 34 provide principles, guidelines, steps and a calendar for budgeting. You may find it advantageous to adopt some or all of these materials as your congregation's budget system.

Step 6: Study pages 27 through 34 to gain a thorough understanding of the budgeting system.

Step 7: Develop a budget for your congregation and school using the Chart of Accounts approved in Step 5. As a guideline for determining a format in which your budget will be presented, review the sample Income and Expense Statements presented on pages 19 to 23. A sample annual budget is presented in the right hand column on these statements.

Developing the Five Year Projection

To insure that budgets and plans for the current year are consistent with the long range needs of the congregation, preparing a five year projection at this time will be helpful. Based on the work that was done in Steps 1 through 7, it will be relatively easy to prepare this projection.

Step 8: Review PART THREE: FIVE YEAR PROJECTIONS on pages 35 through 40. If you have established a Chart of Accounts and prepared the budget as outlined in previous steps, this section of the manual provides all of the information needed to prepare a realistic and complete five year projection.

Establishing the Bookkeeping System

Materials on pages 6 through 13 provide instructions for establishing a bookkeeping system for the congregation and school. Rather than waiting until the budget and projection have been completed, it is helpful to establish the bookkeeping system when the Chart of Accounts is completed in Step 5.

Step 9: Study pages 6 through 13 of this manual to develop a good understanding of the proposed bookkeeping system.

Step 10: Create a Ledger Card (see sample Ledger Card on page 8) for each income and expense account in your approved Chart of Accounts.

Step 11: Establish a monthly and annual posting and recording schedule for all components of the accounting system. This schedule should coincide with the needs of your boards and committees for having timely information. Refer to the suggested budget calendar on pages 31 to 33 as a guideline for establishing this schedule.

Step 12: Establish a payroll system which provides for timely payments and the transmittal of taxes and other items deducted from payroll checks.

Preparing Financial Statements

Guidelines for preparing financial statements are presented on pages 15 through 18. A complete set of sample statements are presented on pages 19 through 26, which can be used by your congregation.

Step 13: Study the materials on pages 15 through 26 to develop a good understanding of the proposed financial statements. The suggested format presented in the sample financial statements is highly recommended because of the clear manner in which they show the financial picture so that it can be understood by the members of your congregation.

Step 14: Prepare an Income and Expense Statement at the end of the first reporting period.

Conducting Followup Activities

To insure that the accounting system established in your congregation is periodically reviewed and updated so that timely information is presented for decision making, several followup activities are suggested. If carefully implemented, these followup activities can help insure that your financial system will serve the long-range needs of your congregation.

Step 15: If the need arises, modify the Chart of Accounts and descriptions. These modifications should be a matter of fine tuning to reflect new discoveries which are made as the accounting system is used. There should be no major changes in the basic structure of the Chart of Accounts in later years, unless absolutely necessary.

Step 16: After several months of actual experience, it may be necessary to prepare a revised budget, especially if original estimates prove to be faulty. It may also be necessary at this time to modify the five year projection to reflect more accurately your estimate of the future.

Step 17: Prepare a written description of all procedures and schedules so that the next treasurer can continue the accounting system with few errors. Use a three-ring binder to construct an accounting manual and include in it the following items:

- an updated version of the Chart of Accounts and the congregation's plan for use,
- procedures for payroll, payment of bills, posting income, preparing financial statements, seeking approvals, etc.,
- schedule for all financial planning and accounting activities,
- sample reports and financial statements,
- documentation of the congregation's plan for prorating expenses between the church and elementary school.

Step 18: To insure continuity in the accounting system year after year, it is recommended that the congregation officially approve the accounting system so that treasurers in future years are not tempted to make changes in the system to suit their own personal desires for accounting.

B. CHART OF ACCOUNTS

A Chart of Accounts is an organized listing of every category in which to record income and expenses. To insure consistency and thoroughness in the financial record-keeping system, accounts must be carefully constructed and defined. The Chart of Accounts is the foundation on which the accounting system is built. It must be sufficiently detailed to provide for adequate budgeting, reporting and control. Management of a Lutheran congregation and school requires a Chart of Accounts which aids boards and administrators in financial planning and accounting for funds.

The Chart of Accounts in this handbook is designed specifically for Lutheran congregations and schools, based on the experience of similar institutions around the country. Account titles, numbers, and descriptions are provided in Appendices A and B of this report since they are too lengthy to be included in the text. The account numbering system can be expanded to include more accounts when necessary and is adaptable to a computer. If all

congregations or schools within a judicatory are expected to use the same computer system, consistency in the use of account numbers and descriptions is essential.

1. Principles

   The following principles should govern the use of the Chart of Accounts:

   a. Each account should have its own identity, and its use should be limited to that purpose.

   b. New accounts should be opened as new purposes are identified. Likewise, existing accounts should be dropped or combined when they are no longer needed. Addition or deletion is acceptable so long as the basic account groupings such as administration, instruction, plant operation, etc. remain unaltered.

   c. All financial entries should be handled within the Chart of Accounts.

   d. The number of accounts should be kept to an operational minimum.

   e. Accounts that have a relationship should remain grouped when they are presented in budgets and financial reports.

2. Instructions for Use

   a. Clarify the use of each account for your own purposes. Document your plan for using each account. (Refer to Appendices A and B - Numbers, Titles and Descriptions)

   b. Maintain consistent use of accounts during the accounting year.

   c. Make necessary changes in accounts at the beginning of an accounting period. Try to make very few changes over the years so that valid comparisons can be made between annual reports.

   d. Maintain a ledger sheet for each account.

   e. Develop simple ways to prorate expenses between church and school and to allocate costs to various accounts. For example, Office Supplies and Instructional Supplies may both include mimeo paper. Rather than attempting to be overly precise, allocate a percentage of every invoice for mimeo paper to the two accounts. Allocating a pre-established percentage for building insurance, utilities, etc., between the church and school is also acceptable. Salaries of teachers and staff members may also be prorated as services are rendered to both school and church.

   f. Avoid over use of the account "Miscellaneous." If substantial amounts are charged to Miscellaneous, new account numbers may be needed or costs are being inappropriately charged to this account.

3. Account Numbers, Titles and Descriptions

The recommended Chart of Accounts for Lutheran congregations and elementary schools in Appendices A and B includes an account number, account title and account description. The following notes describe their purpose:

- Account Numbers: For use by the treasurer and others familiar with the accounting system to help insure accuracy and ease of handling accounts. Also needed if the system is to be computerized.

- Account Titles: Used by individuals not so familiar with the accounting system. Allows them to recognize the purpose of accounts when they appear in financial statements.

- Account Descriptions: Helps the user remember precisely which expense or income items are charged to each account month after month. Also helps maintain consistency in the system when more than one individual is involved in the bookkeeping process.

The following is a brief summary of the Chart of Accounts structure. Comments are made about each section to help explain the purpose of these accounts and their relationship to each other.

Account Titles	Description
Income and Expense Accounts	
Church Income Accounts	Includes all budgeted operating income for the church, including envelope receipts, collections, special envelopes, rental income, interest income, bequests, etc.
Church Expense Accounts - Worship Expenses - Pastoral Support & Housing - Administration & Operation - Church Programs - Staff Benefits - Plant Operation - Capital Outlays - Debt Service - Missions & Benevolences	Includes all budgeted expenses for staff, programs and facilities of the church, except for costs of the elementary school.
School Income Accounts	Includes tuition income, fees income, parent club contributions, and special gifts to the school
School Expense Accounts - Instructional Salaries - Administration & Operation - Instructional Supplies & Materials - Staff Benefits - Plant Operation - Student Services & Programs (net)	Includes all expenses for the school staff, programs and facility. May necessitate prorating of some expenses between the church and school.

Clearing Accounts

Clearing accounts may also be referred to as "exchange accounts" or have other titles. Basically, they are "wash accounts" used to account separately for activities which generate income and have related expenses. These accounts are used when an activity is intended to "break even", or for money-making projects such as a candy drive where income and expenses are recorded in this account.

Clearing accounts are also used for special mission collections which were not budgeted and where the money is collected and transmitted.

Only the net gain or net loss from clearing accounts is reported on the Income and Expense Statement. Monthly and annual financial statements are confusing when gross income and expenses from these activities are reflected in them. Clearing accounts are established for the purpose of handling funds which are "in and out" and which would distort the financial statements if reported in their entirety.

The preceding comments are intended to present an overview of the detailed Chart of Accounts presented in Appendices A and B and in the financial statements.

C. BOOKKEEPING SYSTEM

Essential ingredients in any bookkeeping system are neatness, accuracy and continuity. Poorly written figures, items that are scratched out or written over, or illegible handwriting in the books result in wasted time. Accuracy in arithmetic and in the description and location of items is of prime importance to a conscientious bookkeeper. Continuity is vital to producing financial reports, and unless continuity is maintained in the books, the resulting reports will be of little value when comparing them with reports of previous financial periods.

1. Bookkeeping Structure

In order to prepare monthly financial statements, a bookkeeping system must be developed which allows for recording transactions as they occur during the month. The bookkeeping system involves depositing funds, writing checks, and recording these transactions in a well-designed bookkeeping structure. Bookkeeping systems can be relatively simple and should be easy to understand by office secretaries and others who find it necessary to review the organization's books. Some of the key components of the bookkeeping system are described in the following section.

a. Terminology

In order to understand the bookkeeping system, some accounting terminology must be understood by the reader:

INCOME: amounts received to be credited against the current budget. (Appears first on Income-and-Expense Statement)

EXPENSE: amounts paid to be charged against the current budget. (Appears after income on the Income-and-Expense Statement)

DEBIT: entry on left side of ledger.

CREDIT: entry on right side of ledger.

(1) Income is normally a CREDIT.
Therefore, income accounts normally carry CREDIT balances.
A credit ADDS to the balance.
A debit SUBTRACTS from the balance.

(2) Expense is normally a DEBIT.
Therefore, expense accounts normally carry DEBIT balances.
A debit ADDS to the balance.
A credit SUBTRACTS from the balance.

(3) Income minus expenses = surplus.
Expense minus income = deficit.

b. Ledgers and Journals

A ledger card (or page) should be prepared for each account number in the Chart of Accounts. This includes income and expense accounts. In accounting terms, the ledger is referred to as the book of final entry. Every transaction, or the summary of a group of transactions (from a journal), is recorded on a ledger card. The information on the ledger card should include: date, check number and vendor name (if an expense), description of transaction, amount of transaction (three columns should be provided for debit, credit, and year-to-date total). A sample Ledger Card is presented on the next page.

A journal, by contrast, is the book of original entry. More than one journal may be maintained such as a general cash receipts journal, tuition and fees journal, payroll journal, etc. Any area that has a heavy volume of activity, such as tuition and fees, may justify the establishment of a separate journal in order to group transactions for ease of bookkeeping. At the conclusion of each month, the journals are summarized and the totals posted to their respective ledger cards. It may be necessary to ask a qualified local accountant to assist in determining the need for journals and how to establish them.

One basic principle that should govern all transactions is that "a complete audit trail should exist for all transactions." This means that for every transaction it should be possible to find a copy of the cancelled check, invoice, and proper notation on a ledger card.

LEDGER CARD

Account No.: 3500 Year: 1978-79

Account Title: Instructional Supplies & Materials Amount Budgeted: $12,000.00

DATE	CHECK NO.	DESCRIPTION	DEBIT	CREDIT	YEAR-TO-DATE
July 10	438	SRA - 120 science books, grade 5-8	$ 840.00	$	$
17	441	Palette Shop - Artroom Supplies	57.00		
26	452	SRA - Math workbooks	35.50		
		July subtotal	932.50		932.50
Aug 3	455	Johnson Office Supplies-pencils & chalk	53.50		
10	459	SRA - Teachers' workbooks	154.90		
24	471	3M - Transparencies & other AV supplies	309.60		
27		Cash refund from SRA - returned books		50.50	
			518.00		
		August subtotal	-50.50 467.50		1,400.00
Sept 4	480	Owens Office Supply - 100 reams ditto & mimeo paper	3,000.00		
10	485	ABDick - Ditto Fluid	259.60		
15	489	McGraw-Hill - Science books grades 1-4	729.13		
20	494	McKray Athletic Equpt.-athletic supplies	1,129.87		
20	495	Allen Co. - teaching supplies	349.00		
25	502	SRA - reading workbooks	1,003.40		
26	503	McGraw-Library bks & encyclopedia	1,029.00		
		September subtotal	7,500.00		8,900.00

c. Steps Required to Post Entries and Prepare Reports

Step 1: Prepare a ledger card for each account number at the beginning of the accounting year. (See sample Ledger Card.) Record on the top of each card the account number, account title and amount budgeted. If journals are to be used, also prepare these forms at this time.

Step 2: Posting should be done at the time checks are written or when the money is deposited. The following items should be recorded on the ledger card: Date, check number (if an expense), name of vendor (if an expense), description of item, and debit or credit amount.

Step 3: Subtotal all cards monthly. Determine the year-to-date amount in each account and record this amount in the right hand column of the ledger card.

Step 4: If you have been posting to the ledger cards all income when a deposit is made and all expense when checks are written, the totals of all cards when summarized will balance with the checkbook. In other words, the beginning balance in the checkbook, plus the figure obtained from summarizing the cards, will equal the ending balance.

Step 5: Do a bank reconciliation by balancing your checkbook with the bank statement.

Step 6: Use subtotals from the ledger cards to prepare the monthly Income and Expense Statement. The monthly Income and Expense Statement should have three columns reflecting the amount spent or received during the month, the year-to-date income or expenses and the amount budgeted in each account. Each of these three items can be taken directly from the ledger cards. (See sample statement on page 22.)

Step 7: Use the totals at the end of a twelve-month period to prepare an annual report.

Step 8: Establish a new set of ledger cards and journals for the next year. Retain the prior year's records for historical and audit purposes.

Hopefully, the sample Ledger Card and sample reports in Exhibits A through E will be helpful to the reader in understanding the steps just listed. If questions still remain about how the bookkeeping system should be established, seek advice from a qualified accountant.

d. School Financial Records

Sometimes school principals find it necessary to maintain their own bookkeeping system in order to have adequate control of school-related accounts. This is unfortunate and should not be necessary if the recommended Chart of Accounts is utilized and monthly reports are prepared in the manner described. The school administrator and members of the Board of Education need access to monthly reports and information from the ledger cards in order to effectively control their budget. The congregation treasurer and/or bookkeeper should make it easy for these individuals to have access to needed financial information.

2. Prorating Expenses Between Congregation and School

As a preliminary step to preparing separate Income and Expense Statements for the congregation and school, it is necessary to determine a basis for prorating expenses in key areas. If the congregation has other major ministries for which separate financial statements are prepared, proration of expenses is necessary in this case also. The reason for prorating expenses is to reflect as accurately as possible the actual cost of the school operation and to determine the cost-per-pupil.

In order to arrive at a basis for prorating expenses, the following sequence of steps can be followed:

Step 1: Secure all historical financial data relating to each expense which is to be prorated. Also, secure estimated square footage figures for the school and church and percentage allocation of staff time to various programs.

Step 2: Decide which congregation leaders should be involved in determining prorations and convene a meeting of this group.

Step 3: Determine a specific plan, ratio or formula for prorating each expense which is to be divided. Keep in mind that many expenses can be charged directly to the church or school because the expense is clearly incurred for one program or the other. Proration is necessary only when a division of the expense is not obvious from the invoice. Keep the number of expense categories to be prorated to a realistic minimum because additional bookkeeping is required.

Step 4: Document the plan for prorating expenses. Give the written procedures for proration to the bookkeeper and treasurer and instruct them to use the procedure on a monthly basis.

Step 5: Use the proration formulas for preparing the budget and also for preparing monthly Income and Expense Statements.

Step 6: Periodically review the proration formulas to determine if they are still accurate.

Listed below are some of the principal areas that must be considered when prorating expenses:

- Salaries: Salaries and fringe benefits for secretarial, custodial, and some professional staff members should be prorated. Based on the estimated number of hours spent on church vs. school programs, a percentage of salaries and fringe benefits should be determined for each individual. Unless significant changes are made in assignments, these percentages can be used during the accounting year.

- Office Supplies: Some office supplies can be charged directly to the church or school if they will clearly be used by one program or the other. In other cases, a percentage formula will be needed to split invoices. Avoid the tendency to count how many sheets of paper are used in the church and school or complicate the proration process in other ways.

- Building Insurance: Determine the square footage in each building and use this as a basis for dividing the insurance costs, unless other significant factors are involved.

- Utilities: If it is possible to have separate meters installed on the parsonage, church, school, etc., this is the easiest way to account for these costs. If not, determine a percentage for the allocation of utility bills. Several factors are usually involved in determining this percentage including the square footage in each building, frequency of building use, and special equipment such as air conditioners in one building which may make unusually heavy demands for the item being prorated.

- Capital Improvements: If possible, budget and also charge specific capital improvement items separately to the church and school. Some items may have to be split using a percentage.

- Plant Maintenance: Plant maintenance expenses are often difficult to divide based on specific work done in each building and a percentage is usually most advantageous.

3. The Accounting Year

The financial books should be closed annually and year-end financial statements prepared. The accounting year can be terminated at the end of December (calendar year) or at the end of some other month (fiscal year). If the judicatory establishes an accounting year, the congregation and school should abide by its rules. The accounting year should be identical for congregation and school. If, on the other hand, the congregation has a choice in this matter, the following suggestions may be helpful in determining which accounting year to use.

When an elementary school is involved, a July 1 to June 30 fiscal year is recommended. Salaries and many other components of the school budget must be planned on a July-to-June basis. Splitting the school year at the end of December or some other month creates planning and budgeting problems in the school. Consequently, for the school's benefit, the July 1 to June 30 fiscal year is highly recommended.

From the congregation's point of view, the best argument for the July 1 to June 30 fiscal year is that this is a slow time of the year with respect to income and expenses. Closing the books in December is often cumbersome because of the heavier cash flow at that time, along with busy holiday schedules.

4. Assignments and Job Descriptions

In order to increase the likelihood that finance officers of the congregation will be successful, a job description along with policies and procedures for some key positions is advisable. Position descriptions and procedures should be available for each of the following:

- Church Treasurer: Responsible for the church accounting system, including budgetary control.

- Financial Secretary: Responsible for recording envelope receipts (pledged or non-pledged), special gifts, etc. from members of the congregation and the issuance of periodic statements to the members.

- Bookkeeper: In some cases, the treasurer will perform the bookkeeping function. In other cases, a church secretary may perform bookkeeping functions. In larger congregations, the bookkeeper may be another individual who is paid or who performs the service on a voluntary basis. The bookkeeper is responsible for the day-to-day payment of bills, making deposits, and posting financial entries to the ledger cards and journals.

Because turnover in these positions can create problems for the congregation in many ways, it is recommended that a qualified treasurer, financial secretary or bookkeeper be retained if at all possible.

Individuals in these functions should be required to perform their jobs according to systems and procedures outline in this handbook, or in a specially prepared handbook for the congregation, and according to the other procedures approved by the congregation. There is little room for creativity in a well-designed financial system.

If necessary, provide training for these individuals to insure that they can perform their duties well. Also, consider the possibility of securing professional assistance from outside accountants or bookkeepers when the individuals in these positions need help.

Auditing of financial records of the congregation and/or school is frequently discussed, and it is sometimes difficult to determine if and when an audit by a qualified individual or firm should be conducted. Although annual audits by an outside firm are not always needed for a congregation, an audit may be justified for the following reasons:

- To protect the treasurer, financial secretary and bookkeeper. Although no problems may be suspected, an audit would answer any questions that someone may ask at a later date.

- Regular audits help insure fiscal integrity.

- If the bookkeeping system has been poor and no one is able to determine the financial status of the institution.

- If dishonesty is suspected.

D. FUND ACCOUNTING

The establishment of special fund accounts is necessary under certain circumstances. Their number should be restricted and guidelines should be approved concerning the creation and use of these special accounts. Unless properly structured and reported, special fund accounts can distort the financial picture of the congregation and confuse the congregation members as well as the treasurer.

A legitimate need for special fund accounts may exist when:

- A project is planned at a future date for which funds must be accumulated over a period of time, and which is too large to include in the regular budget of the congregation or school, e.g., organ fund, building fund, debt retirement fund, etc.

- An ongoing program is established for which funds are specifically solicited from members, such as a tuition-assistance fund. A special fund account should not be created if this type of program can be conveniently handled through the regular operating budget.

- A special project is planned for which a designated gift was received. However, the money will not be spent during the current accounting period, but there is a clear plan to proceed with the project. Special gifts or bequests may be received from members to purchase a specific item or for a special project. Avoid establishing special fund accounts for items which may never be purchased such as a $500 gift for stained glass windows which cannot be purchased unless a much larger amount of money is available.

The following principles should be considered by congregations and schools in the establishment and perpetuation of special fund accounts:

1. Establish a limited number of special fund accounts and only when large dollar amounts must be held or accumulated.

2. Close the account when the purpose of the special fund has been accomplished.

3. Maintain a separate checking or savings account for each fund. If there is sufficient reason to create a special fund account, the money should be put aside to insure that the objective can be accomplished at a later date. If the creation of a separate checking account or savings account is questionable, so is the establishment of the fund.

   Avoid "paper accounting" for funds where the books reflect various fund balances, but the dollars have not been set aside. This type of bookkeeping is confusing to everyone and can become a bookkeeping nightmare.

4. Never start the practice of borrowing from one fund for use in another fund. If money is needed from one fund to complete some other project, and if the use of these dollars is justified, take the money from the fund but treat it as if it were spent and not borrowed. Borrowing from funds is a bad practice to begin with; bookkeeping becomes complicated, and financial reporting becomes difficult.

5. A sample report for a special fund account is presented in Exhibit E, page 26. The report shows both income and expenses reflected in the Fund Account Statement. The Fund Account Statement reflects activity that has taken place in a separate checking or savings account which is independent of the operating budget. Don't make the mistake of also reflecting the same income and expenses in the congregation's operating receipts and disbursements.

The only exception to the preceding rule is when a congregation or school takes an amount of money from the operating budget and transfers it to a fund. In this case, the amount transferred would be shown as an expense in the congregation's Income and Expense Statement and as income to the fund. This is a rather infrequent type of transaction, but might occur when the congregation has a "surplus" which it wishes to "give" to one of the special fund accounts. A transfer of cash should occur, resulting in an addition to the special fund account balance.

The converse may also be true if dollars from a special fund account will be used to pay for items in the congregation budget. In this case, it would be shown as an expense in the Fund Account Statement and as income in the congregation's Income and Expense Statement.

The source of income for most fund accounts will be gifts which are solicited and received for a specific project. In several special circumstances, the congregation may utilize operating budget money to create a special fund account. For instance, if it is rather certain that a large capital expense will be incurred, e.g., new roof for the church, boiler replacement, etc., which is larger than can be included in an annual church budget, a special fund can be created to accumulate money for this purchase. The congregation plans to cover this expense through its regular operating budget. As an

example, a roof repair costing $30,000 may be needed in three years. The congregation cannot afford to budget $30,000 in that year, but can budget $10,000 annually which would be raised through the regular congregational giving program. The congregation should budget $10,000 for three years, and on a regular schedule transfer money from the congregation's account to a special fund account. This transfer of money, being treated as a regular budget expense, is often the only way to insure that funds will actually be set aside.

E. FINANCIAL STATEMENTS

Financial statements are primary tools to plan and control the congregation and school operation.

1. Principles concerning preparation of financial statements

The following principles should govern the development and use of financial statements:

a. The format should remain simple and easy to read.

b. The format should provide information in a form that is useful for decision makers.

c. The format of financial statements should be the same as the Chart of Accounts and the budget.

d. The reports should include only "net" income or losses resulting from special programs or projects. Reporting all income and expenses of various projects tends to inflate the financial statement.

e. Monthly financial statements and a year-end statement must be prepared.

f. Financial statements should be published and distributed to all individuals who have need of the information.

2. Income and Expense Statement

The purpose of this financial statement is to show the results of the current period of operation.

The monthly and annual Income and Expense Statement should contain the following columns of information:

Acct. Number	Acct. Name	Current Mo. Income or Expense	YTD Income or Expense	Amount Budgeted

Exhibits A and B on pages 19-23 show separate Income and Expense Statements for a congregation and elementary school. The sample statements reflect figures at the conclusion of three months of the accounting period.

Exhibit C, page 24, is a summary or composite report of Exhibits A and B. The report is simple to prepare, and allows members to visualize the total parish financial picture and the relationship of school and congregation financial figures.

If a clear, precise and simple format is used month after month in preparing financial statements, congregation members will become familiar with the statements and can easily understand the financial statements and make intelligent judgments about them.

3. Financial Position Report

The purpose of a Financial Position Report (see Exhibit D), page 25, is to present a clear picture of the current cash position, financial reserves, and long-term indebtedness. Because balances in each account change periodically, this statement allows congregation members to visualize the financial position at the end of each reporting period. Members can see, at a glance, the current cash position and determine if sufficient funds are available to meet pending bills. The treasurer may also wish to attach a written list of accounts payable so that members can see a breakdown of unpaid bills.

It is recommended that copies of this statement and the Income and Expense Statements be reproduced in sufficient quantity for distribution rather than having materials read by the treasurer in council meetings. Clear and legible copies aid in reducing the length of meetings and serve as the best way to communicate financial information.

4. Balance Sheet

Some church treasurers prepare a Balance Sheet, but this financial statement often has limited meaning for a Lutheran congregation. The tradition of displaying a Balance Sheet for a church is probably a carryover practice from industry. In addition, banks seem to place an importance on this statement from loan-seeking churches, although it tells little about the vitality or financial ability of the congregation.

Congregations can prepare a Balance Sheet if they wish to do so. This statement would be prepared at least annually, or more often if desired. Balance Sheets show the assets of the congregation, its liabilities and equity. For readers who are interested in knowing more about a Balance Sheet, the following definition of terms will be useful.

Assets - Assets are things of value owned, cash, accounts receivable, inventory, land, buildings, etc. (Appears on the left side of the Balance Sheet.)

Liabilities - Liabilities are debts; they are amounts owed to creditors. Accounts Payable and taxes payable are some of the liabilities that may be owed by a congregation. (Appears on the right side of the Balance Sheet.)

Equity - The excess of assets over the liabilities of the congregation are the reserves. Reserves are usually accumulated as a result of generating surplus in the current period or prior accounting periods. Equity may also have resulted from large gifts to the congregation which were retained for future use. (Liabilities plus Reserves equal the Assets.)

A complete "double entry" bookkeeping system is a more sophisticated accounting method that is most often used when a Balance Sheet is to be prepared. It is a more complete system and was not discussed earlier in the handbook because of its complexity.

If a complete double entry system is used, there are several basic accounting terms with which the reader should become thoroughly familiar before proceeding.

1. Assets are debits.
   Therefore, asset accounts normally carry debit balances.
   A debit adds to the balance. A credit subtracts from the balance.

2. Liabilities are credits.
   Therefore, liability accounts normally carry credit balances.
   A credit adds to the balance. A debit subtracts from the balance.

3. Every entry of income or expense also requires both a debit and credit entry on a ledger card.

4. Every entry of assets or liabilities is made on a ledger card.

5. In double entry bookkeeping every entry must consist of equal debits and credits.

A complete double entry bookkeeping system should be established by someone familiar with accounting or by a professional accountant. Once established, other individuals can be taught how to use the system. No attempt is made in this handbook to fully explain double entry bookkeeping.

Acknowledgement

The following publications were used as reference sources for this section:

Efficient Church Business Management, by John C. Bramer, Jr., The Westminster Press

Planning for Lutheran High Schools, Document H10-Maintaining Fiscal Responsibility, Board of Parish Education, Lutheran Church-Missouri Synod, St. Louis, Missouri.

Note to the reader: You are urged to review the listing of documents on the last page of this booklet. Each document provides detailed information and help for the management of Lutheran schools.

Exhibit A

GRACE LUTHERAN CHURCH

INCOME AND EXPENSE STATEMENT

For September 1 to September 30, ____(year)

	CHURCH INCOME	September	Year-to-Date (3 months)	Annual Budget
1110	General Operating Receipts			
1111	Offering Envelopes	$ 16,900	$ 48,900	$217,790
1112	Plate Offering	800	2,000	10,000
1113	Other Envelope Receipts	400	1,100	5,000
	Total General Operating Receipts	18,100	52,000	232,790
1120	Undesignated Gifts			
1121	Bequests/Memorials	1,000	1,000	2,500
1122	Other	250	250	1,000
	Total Undesignated Gifts	1,250	1,250	3,500
1130	Miscellaneous Receipts			
1131	Rental Income	250	750	3,000
1132	Grants	---	---	---
1133	Other	50	100	600
	Total Miscellaneous Receipts	300	850	3,600
1140	Synod or District Subsidy	---	---	---
1150	Transfers from Funds	---	---	---
	TOTAL CHURCH INCOME	$ 19,650	$ 54,100	$239,890

CHURCH EXPENSES

1200	**Worship**			
1201	Salary-Organist/Choir Director	$ 100	$ 300	$ 1,200
1202	Music Supplies	45	45	150
1203	Altar Supplies	250	350	1,000
1204	Guest Organists	---	25	100
	Total Worship	395	720	2,450
1300	**Pastoral Support & Housing**			
1301	Salary-Pastor	1,000	3,000	12,000
1302	Salary-Associate Pastor	800	2,400	9,600
1303	Salaries-Other	100	300	1,200
1304	Substitute Pastors	30	60	180
1305	Auto Allowance	300	900	3,600
1306	Education Allowance	---	---	200
1307	Conference/Convention Expense	150	150	300
1308	Parsonage Utilities	40	110	900
1309	Parsonage Maintenance & Repair	25	80	300
	Total Pastoral Support & Housing	2,445	7,000	28,280
1400	**Administration & Operation**			
1401	Salaries-Clerical	600	1,800	7,200
1402	Treasurer's Stipend	50	150	600
1403	Telephone	45	100	480
1404	Printing	115	240	1,200
1405	Office Supplies	50	130	800
1406	Postage	---	45	300
1407	Conference/Convention Expense	---	---	400
1408	Subscriptions & Publications	15	25	100
1409	Advertising	20	60	240
1410	Offering Envelopes & Supplies	---	---	950
1411	Office Equipment Maintenance	40	40	150
1412	Miscellaneous	---	---	100
	Total Administration & Operation	935	2,590	12,520
1500	**Church Programs**			
1501	Evangelism Program	75	75	200
1502	Stewardship Program	---	---	150
1503	Social Concerns Programs	---	50	300
1504	Sunday School Program	40	60	600
1505	Adult Education Program	100	100	600
1506	Vacation Bible School	---	---	400
	Total Church Programs	215	285	2,250
,600	**Staff Benefits**			
1601	Health & Life Insurance	240	720	2,200
1602	Pension	775	775	3,100
1603	Payroll Taxes-Employer's Share	50	150	600
	Total Staff Benefits	1,065	1,645	5,900

CHURCH EXPENSES (continued)

1700	Plant Operation			
1701	Salary-Custodian/Janitor	$ 175	$ 525	$ 2,100
1702	Heat	150	300	4,000
1703	Electric	240	720	3,000
1704	Water & Sewer	---	70	300
1705	Property Insurance & Workmen's Comp	---	---	2,500
1706	Janitorial Supplies	150	400	1,000
1707	General Maintenance & Repair	560	1,050	3,600
	Total Plant Operation	1,275	3,065	16,500
1750	Capital Outlays			
1751	Major Repairs	---	---	4,000
1752	Furniture & Equipment	---	---	1,000
1753	New Construction	---	---	---
	Total Capital Outlays	---	---	5,000
1800	Debt Service			
1801	Principal Payments	3,000	7,000	28,000
1802	Interest Payments	540	540	3,390
	Total Debt Service	3,540	7,540	31,390
1900	Missions, Benevolences & Agency Support			
1901	Synod or District Missions	1,000	3,000	12,000
1902	Other Charities	200	400	2,500
1903	High School Association	500	1,500	6,000
1904	Dues and Assessments	---	500	1,500
	Total Missions, Benevolences & Agency Support	1,700	5,400	22,000
2000	Transfer to Special Fund Accounts	---	---	---
	TOTAL CHURCH EXPENSES	$ 11,570	$ 28,245	$126,290
	CHURCH SURPLUS (DEFICIT)	$ 8,080	$ 25,855	$113,600

Exhibit B

GRACE LUTHERAN SCHOOL

INCOME AND EXPENSE STATEMENT

For September 1 to September 30, ____(year)

	SCHOOL INCOME	September	Year-to-Date (3 months)	Annual Budget
3110	Tuition (net)	$ 6,000	$ 6,000	$ 15,000
3120	Fees	7,000	7,000	11,250
3130	Fund Raising (net)	---	---	2,500
3140	Miscellaneous	100	100	500
	TOTAL SCHOOL INCOME	$ 13,100	$ 13,100	$ 29,250
	SCHOOL EXPENSES			
3300	Instructional Salaries & Allowances			
3301	Salaries-Instructional Staff	$ 5,900	$ 17,700	$ 70,800
3302	Salaries-Aides/Paraprofessionals	200	600	2,400
3303	Substitute Teachers	50	50	1,000
3304	Education Allowance	---	---	600
3305	Conference/Convention Expense	---	---	600
3306	Auto Allowance	50	150	600
	Total Instr'l. Salaries & Allowances	6,200	18,500	76,000
3400	Administration & Operation			
3401	Salary-Secretary	300	900	3,600
3402	Office Supplies	100	100	400
3403	Telephone	30	90	350
3404	Printing & Postage	---	100	500
3405	Office Equipment Maintenance	---	---	100
3406	Miscellaneous	---	---	100
	Total Administration & Operation	430	1,190	5,050
3500	Instructional Supplies & Materials	7,500	8,900	12,000
3600	Staff Benefits			
3601	Health & Life Insurance	375	1,125	4,500
3602	Pension	460	1,375	5,500
3603	Payroll Taxes-Employer's Share	280	840	3,400
	Total Staff Benefits	1,115	3,340	13,400

SCHOOL EXPENSES (continued)

3700	Plant Operation			
3701	Salary-Custodian/Janitor	$ 575	$ 1,725	$ 6,900
3702	Heat	200	400	8,000
3703	Electric	400	800	5,000
3704	Water & Sewer	250	250	1,500
3705	Property Insurance & Workmen's Comp.	---	---	2,500
3706	Janitorial Supplies	400	400	1,800
3707	General Maintenance & Building Repair	150	450	6,000
	Total Plant Operation	1,975	4,025	31,700
3750	Capital Outlays			
3751	Major Repairs	---	---	1,500
3752	Furniture & Equipment	---	---	2,000
3753	New Construction	---	---	---
	Total Capital Outlays	---	---	3,500
3800	Student Services & Programs (net)	300	300	1,200
	TOTAL SCHOOL EXPENSES	$ 17,520	$ 36,255	$142,850
	SCHOOL SUPPORT NEEDED FROM CONGREGATION	$ 4,420	$ 23,155	$113,600

Exhibit C

GRACE LUTHERAN CHURCH

CONSOLIDATED INCOME AND EXPENSE STATEMENT

For September 1 to September 30, _____(year)

		September		Year-to-Date (3 months)		Annual Budget
	CHURCH INCOME					
1110	General Operating Receipts	$ 18,100		$ 52,000		$232,790
1120	Undesignated Gifts	1,250		1,250		3,500
1130	Miscellaneous Receipts	300		850		3,600
	TOTAL CHURCH INCOME	19,650		54,100		239,890
	CHURCH EXPENSES					
1200	Worship	395		720		2,450
1300	Pastoral Support & Housing	2,445		7,000		28,280
1400	Administration & Operation	935		2,590		12,520
1500	Church Programs	215		285		2,250
1600	Staff Benefits	1,065		1,645		5,900
1700	Plant Operation	1,275		3,065		16,500
1750	Capital Outlays	---		---		5,000
1800	Debt Service	3,540		7,540		31,390
1900	Missions, Benevolences & Agency Support	1,700		5,400		22,000
	TOTAL CHURCH EXPENSES	11,570		28,245		126,290
	CHURCH SURPLUS (DEFICIT)		8,080		25,855	113,600
	SCHOOL INCOME					
3110	Tuition (net)	6,000		6,000		15,000
3120	Fees	7,000		7,000		11,250
3130	Fund Raising (net)	---		---		2,500
3140	Miscellaneous	100		100		500
	TOTAL SCHOOL INCOME	13,100		13,100		29,250
	SCHOOL EXPENSES					
3300	Instructional Salaries & Allowances	6,200		18,500		76,000
3400	Administration & Operation	430		1,190		5,050
3500	Instructional Supplies & Materials	7,500		8,900		12,000
3600	Staff Benefits	1,115		3,340		13,400
3700	Plant Operation	1,975		4,025		31,700
3750	Capital Outlays	---		---		3,500
3800	Student Services & Programs (net)	300		300		1,200
	TOTAL SCHOOL EXPENSES	17,520		36,255		142,850
	SCHOOL SUPPORT NEEDED FROM CONGREGATION		4,420		23,155	113,600
	NET CONGREGATION SURPLUS (DEFICIT)		3,660		2,700	---

Exhibit D

GRACE LUTHERAN CHURCH

FINANCIAL POSITION REPORT

September 30, _____ (year)

CURRENT CASH POSITION

Cash		
Cash in Checking Account	$3,500.00	
Cash in Savings Account	5,000.00	
		$8,500.00
Payables		
Notes Payable to Members	3,000.00	
Accounts Payable (Unpaid bills, payroll taxes, etc.)	4,100.00	7,100.00
Net Cash Position		$1,400.00

RESERVES AND LONG TERM INDEBTEDNESS

Reserves	
Securities	$5,000.00
Reserve Accounts	
- Building Improvement Fund	8,335.00
- Organ Fund	15,450.00
Total Reserves	$28,785.00
Debts	
Long Term Loans	$15,000.00
Mortgage	18,000.00
Total Long Term Debts	$33,000.00

Exhibit E

GRACE LUTHERAN CHURCH

FUND STATEMENTS

For September 1 to September 30, _____(year)

BUILDING IMPROVEMENT FUND

Beginning Balance, September 1, _____(year)		$14,560.00
Receipts		
Special Gifts	$ 3,100.00	
Interest Income	175.00	
Total Receipts		3,275.00
		$17,835.00
Disbursements		
Payment to contractor for new roof	$ 9,500.00	
Transfer to operating budget	---	
Total Disbursements		9,500.00
Ending Balance, September 30, _____(year)		$ 8,335.00

ORGAN FUND

Beginning Balance, September 1, _____(year)		$20,000.00
Receipts		
Special Gifts	$ 5,000.00	
Interest Income	450.00	
Total Receipts		5,450.00
		$25,450.00
Disbursements		
Downpayment on new organ	$10,000.00	
Transfer to operating budget	---	
Total Disbursements		10,000.00
Ending Balance, September 30, _____(year)		$15,450.00

PART TWO BUDGETING

A good budgeting procedure is necessary to insure that adequate control and planning exist in a congregation and elementary school.

Specific functions of the budget include: (a) to plan and project the congregation and school program for a specified period of time, (b) to show detailed estimates of expenditures based on program needs, (c) to show the amount of money needed, and (d) to provide a plan for the administration of programs and physical facilities.

A. PRINCIPLES OF BUDGETING

For budgeting to be a truly effective planning tool, budget principles should be established which serve as guidelines in developing the budgeting system and in preparing the annual budget. It is recommended that the congregation formally approve budgeting principles similar to those listed below. These can serve as a guide for all future budgeting activities. Adherence to these principles year after year will help assure good fiscal management.

1. Only budgets where expenditures are equal to or less than the projected income will be approved.

2. All budget figures will be realistic; income and expense items will not be padded. Rather than padding expenditure accounts, planners should budget a contingency fund. Expenses from the contingency fund will be carefully controlled.

3. All projected income items will have a supporting plan to insure that the income can be realized.

4. All projected expenses will have supporting written documentation to justify the planned expenditures.

5. The budget format will utilize the approved Chart of Accounts.

6. The budget format and terminology will be simple and clear, understandable to members and staff.

7. Budget planning will allow for participation by appropriate committees and boards.

8. The budget will be communicated to all interested parties.

B. BUDGET GUIDELINES

In addition to budget principles, the following list of guidelines apply to budget preparation activities in Lutheran congregations and schools:

1. Budget for projected congregation and school income from each income source. Many congregations budget only expenses, which means that they do not have an opportunity to plan for balanced budgets.

2. Budget for all expense items. Avoid the practice of conducting special fund drives for a host of "non-budget" items.

3. Develop the budget on actual income and expense figures rather than basing it on the previous year's budget. Use recent year-to-date income and expenditures data. Secure figures for the previous two or three years for developing a budget for each account number.

4. Make realistic allowances for inflation in all income and expense accounts.

5. Reflect program plans in the budget. Program plans should not be forced into a pre-established budget limit. Establish realistic program plans resulting in achievable income projections, but which still challenge the congregation to meet a projected goal.

6. Develop a set of guidelines which allow for budget cutting during the year if the projected income is not realized. Some congregations have a tendency to cut the area of mission expenditures first. This problem can be avoided by making monthly transmittals of mission money rather than waiting until the end of the year. The mission part of the budget or similar areas often suffer by default, year after year, because the treasurer pays other bills first. Mission commitment should have a high priority in Lutheran congregations and should be reflected in the manner in which transmittals are made.

   When budgets are tight, avoid the tendency to reduce the planned salary increases for church workers. Rather than ask the full-time workers to make sacrifices year after year, ask members to make the sacrifice, or seek reductions in other areas of the budget.

C. BUDGET PLANNING STEPS

The following steps describe the budget planning activities for a congregation and elementary school. The steps are listed sequentially and will aid in the thorough and orderly preparation and presentation of the annual budget.

Step 1: Start by updating the five year budget projection which was prepared the previous year. (If your congregation has not made a practice of preparing five year budget projections, the first projection can be prepared at this time in accordance with the steps outlined in Part Three of this handbook, page 35.) Review and revise all assumptions made one year

ago about income and expense areas. Assumptions made in preparing the projections will be affected by the following factors:

1. Projected program changes for the next year.
2. Projected enrollment trends and membership trends for the next year.
3. Projected staffing needs.
4. Long range expansion needs and costs.
5. Major repair and improvement needs.
6. Anticipated inflation rate.
7. Projected salary increases in relation to the projected inflation rate.

The five year projection provides a framework for accurate budgeting. If the projection shows that surpluses or deficits may occur in future years, these facts can greatly influence budget planning for this next year.

Step 2: Prepare the annual budget.

The Board of Education and school principal should be responsible for preparing the school budget. Responsibility for various parts of the church budget should be assigned to the respective boards. Each of these groups should assume responsibility for coordinating the following:

1. Review all expenditure accounts.
   a. Begin by preparing separate budget forms for the congregation and school, listing by number and name all expense accounts.
   b. For key account numbers prepare a backup sheet for compiling all detail used to arrive at the expenditure total for that account.

EXAMPLES:

Instructional Salaries: List each teacher by name, base salary and experience increments included in base salary. Total the salaries for each teacher. Total the Instructional Salaries and enter the figure on the master budget sheet.

Building Maintenance: Prepare a list of all major items which require repair. Also, prepare a list of minor and routine maintenance items. Secure bids or cost estimates where appropriate and record this information on the backup sheet. Place the total estimated cost for building maintenance on the budget sheet.

   c. Work with each account number to prepare exact details. Obtain bids where needed, refer to catalogs for accurate prices, and add a percentage figure to the account for inflation.

2. Review all income accounts.

   a. For each income account, record the data which was used to arrive at the budgeted income figure. Show the formulas, calculations and the exact figures used to project each item.

   b. Member contributions should be calculated as accurately as possible because this is the most significant source of income. Start by making an accurate estimate of the total number of members. Estimate the number of member transfers-out, transfers-in, deaths, confirmations, etc. to arrive at a reasonably accurate projected figure of members. Next, estimate the effect that inflation might have on the giving level of members. Calculate the average gift-per-member during the last three or four years and determine the average percentage increase that has occurred in each year. Finally, review the planned stewardship program for next year and decide if it will appreciably affect the giving level of members. Based on these factors, determine a realistic estimate of income from member contributions and record this figure in the budget. This figure should become the minimum goal for the stewardship committee during the next year.

   c. Income for the church must be projected from all other potential sources. If the congregation has a history of receiving memorials or other gifts of this nature, these should also be included in the budget projection.

   d. Tuition and/or fee income for the school is projected initially by the percentage increase resulting from the inflationary effect on the total budget. The final tuition and fee rate may be determined after the budget has been finalized because tuition rates should reflect total budget needs.

   e. Other school income sources should be projected and documented.

   f. When all accounts have been assigned a realistic and documented income figure, the income budget is complete.

Step 3: Convene the budget committee.

The budget committee should be comprised of members from the various boards and should also include the pastor and school principal.

Step 4: Balance the budget.

1. If income totals equal expenditures, rejoice.

2. If expenditures are in excess of income, recommendations must be made, such as:

   a. Locate ways to cut the budget (review each expense account).

   b. Identify budget items which can be placed on a special project list to be presented to auxiliary groups.

c. Identify budget items which can be placed on special project lists which will be undertaken only if congregational giving and other income sources exceed the projected levels.

d. Adjust the school tuition formula to provide for coverage of a portion of the projected deficit.

e. Adjust the stewardship committee's plans and programs. If a more aggressive stewardship program can be planned, it should be possible to project an increased level of congregational giving.

Avoid the tendency to force the budget to balance by placing unrealistic figures in income or expense columns. Reducing expenditures or projecting increased income is realistic only when accompanied by programs which will insure that these projected changes can actually occur.

Step 5: Present the proposed budget to the church council or other governing group.

The proposed budget should be supported with recommendations regarding a salary schedule which will determine salaries of all staff members, tuition rates and stewardship plans.

Step 6: Make revisions in the budget per council decisions.

Step 7: Present the budget to the congregation.

Present only a budget summary to the congregation because most members will not need to review the numerous details.

D. BUDGET CALENDAR

The budget calendar is a suggested schedule of the major steps that should be taken in preparation of the annual budget. Each congregation must determine its own budget schedule in light of its fiscal year, dates of congregational meetings, and the like. However, the following suggested timetable may be used as a guide.

Processes	Months In Advance
Budget Committee named at congregational meeting	12
Budget Committee meets to review the previous year's experience and to adopt a timetable for the coming year.	10
Update of five year projection. Prepare a five year budget projection update. Using the data from the year just completed and from previous years, lay out a projection for the next five years. (Refer to Part Three of this handbook.)	8

Budget Committee sets guidelines — 7 Months

Using the five year projection as a guide:

1. Set tentative, but realistic goals for all income accounts.
2. Set tentative limits for each spending account based on estimated income.
3. Review and project a pupil:teacher ratio for the elementary school.
4. Develop tentative salary schedule recommendations.
5. Prepare budget planning forms.
6. Identify the boards or individuals responsible for preparing each segment of the budget.

Items 1 through 4 above will establish rough guidelines to be used by the budget planning groups in the months that follow.

Distribute Budget Planning Forms — 6

After assigning estimated limits to each expense area, distribute planning forms to the person or group responsible for each category of accounts. Announce the due date (8 weeks working time is suggested). Budget figures should come from real sources such as actual bid, catalog, salesmen, etc.

Enrollment Projection — 5

Begin updating the enrollment projection. This is needed for planning staff needs, textbooks, equipment, furniture needs, etc.

Determine curriculum in the elementary school — 5

A committee of elementary school teachers and others should be at work determining the instructional program for the next year and the number of projected teaching stations needed.

Establish tuition rates — 5

Prepare tuition and fee information prior to opening registrations and starting the recruitment program. Parents will need this information as part of their registration planning.

Staff needs projection due — 4

List projected assignments of teaching staff. Finalize requirements for pastoral staff, secretarial staff, custodial staff, music department staff, etc. Determine total staff needs and calculate the projected budget figures.

Equipment and supply projection due — 4

Prepare an initial list of equipment needs including office equipment, desks, tables, and instructional equipment in the school.

Prepare salary schedule As the budget projection is refined, finalize planning for salaries. This will be the largest single expenditure in the operating budget. List all salary costs, including fixed charges and fringe benefits.	4 Months
Major capital projects listed Building improvements, repairs, construction and other projects should be kept on an updated list. This list should be examined to determine priorities and the selection of those projects which will be planned as part of this budget period. This planning process provides for the maintenance and development of properties over the years.	4
Preliminary budgets due Budgets from each board are due and expenditures are to be itemized and totaled.	3
Compile tentative budget expenditures and projected income Although changes may still be made in some expenditure accounts, total projected expenses are needed at this time so that planning for income sources can be finalized.	3
Present the tentative budget to the Finance Committee Present a complete budget at this time. Also, include projected income so that the Finance Committee will know if the budget is balanced.	3
Formulate final working budget	2
Present and seek approval of budget by congregation	1
Mail approved budget to congregation	1
Post budget to ledger cards	-

The preceding schedule assumes that the fiscal year is July 1 to June 30. Congregations with a different fiscal year may find that minor adjustments are necessary in the proposed schedule.

E. CASH FLOW PROJECTIONS

The purpose of a cash flow projection is to insure that the projected income for each month will cover expenditures for that month. Experience shows that there are peaks and valleys in various income and expense accounts. By anticipating these fluctuations, some planning can be done to avoid cash shortages.

When the annual budget has been finalized, the cash flow projection can be prepared. Using a twelve or fourteen column analysis pad, begin by listing each income and major expense category from the budget on the left hand side of the page. Head each of the twelve columns with one of the twelve months of the year. Take each budgeted income item and estimate how much of the income will be realized in each month. Similarly, take each expense category and estimate how much of the expense will be incurred in each month.

A total of the projected income and expense for each month will indicate if the "cash-flow-in" is sufficient to meet "cash-flow-out." If problems are evident, decisions should be made to speed up the income flow, or hold back on expenditures until cash is projected to be available. Cash shortages at certain times of the year may also suggest the need for short-term borrowing.

Note to the reader: You are urged to review the listing of documents on the last page of this booklet. Each document provides detailed information and help for the management of Lutheran schools.

PART THREE FIVE YEAR PROJECTIONS

As we continue to experience rapid and frequent changes in our society, long-range planning for congregations and elementary schools is increasingly necessary. Long-range planning helps congregations avoid crisis situations and last-minute decision making. Decisions based on a view toward the future are often better than "spur-of-the-moment" or crisis decisions. The five year projection model discussed in this section allows for problems and opportunities to be anticipated in advance and provides sufficient lead time for making plans to avoid or contend with the projected problems. A good long-range plan can result in orderly handling of financial and administrative affairs allowing congregational leaders to devote their time to working with the primary ministries of the congregation.

The purpose of this section of the handbook is to present procedures for developing and updating five year projections for the congregation and school. The materials which follow assume that the congregation has a good bookkeeping system such as the one outlined in the earlier sections of this handbook. It also assumes that there is a commitment toward improving the effectiveness of the institution by long-range planning.

A. PRINCIPLES OF PROJECTING

Prior to the preparation of financial projections, it is suggested that the congregation adopt principles similar to the following which will insure that projections are meaningful and can continue to be useful for a period of years.

1. Base all projections on realistic assumptions. Avoid pessimistic projections because programs of the church are to be built on hope and vision. On the other hand, also avoid "pie in the sky" planning which results in unrealistic projections of income and unachievable programs.

2. Project a minimum of three years and no more than five years, depending on the needs of the congregation.

3. Annually update the five year projection in accordance with the congregation's annual budget calendar.

4. Use the five year projection as one of the primary tools in program planning and budgeting.

5. Throughly document the projection so that it can be updated and referred to at a later date. Use the projection and related documentation as a tool for recording all program, staff and facility plans.

B. PROJECTION FORM

The form used for preparing the five year financial projection is included on page 39. Accounting paper with ten columns can be used in setting up this financial projection form. All accounts used by the congregation and school should be listed in the left hand columns. Financial data from previous years is recorded in the first three columns so that budgets and future projections can be based on actual data as well as future program plans.

The following section outlines a step-by-step methodology for preparing the annual update utilizing this financial projection form.

C. STEPS IN PROJECTING

The following steps are presented in sequential order. These steps assume that the congregation is preparing the five year projection for the first time. When updating the projection in future years, the congregation will find that some of the steps listed below do not have to be repeated.

Step 1. Obtain information which will help you make an assumption about the anticipated inflation rate for the five year period. Seek counsel from local bankers or businessmen concerning the anticipated rate of inflation.

Step 2. Secure demographic data about your community relative to projected population trends which might affect membership, enrollment, and the ability of members to support the congregation.

Step 3. Use ten column accounting paper to set up a financial projection form as outlined in the previous section. Make enough copies of this form so that all income and expense accounts used by the congregation and school can be listed in the left hand column. List the income and expense accounts in the same form and sequence as they would appear in the Income and Expense Statement.

Step 4. Post the actual year-end financial figures from financial statements in the first three columns. Also, post all income and expense totals for each major category in the Chart of Accounts.

Step 5. Post the approved budget in the fourth column. If the approved budget is still quite accurate and no changes have occurred, column 5 can be skipped. If, on the other hand, some budget figures are no longer accurate, column 5 is available for making modifications. For instance, several months into the present budget year the congregation may have discovered that some income or expense figures will be different than budgeted. Column 5 is provided so that the most recent and accurate figures can be used as the basis for preparing the financial projection.

Step 6. Prepare an enrollment projection for the school for the next five years. Obtain a copy of document E05 for guidelines on preparing enrollment projections.

Step 7. Develop an educational program plan for the school for the next five years. Particularly important are program changes that will result in additions or deletions to the budget in future years.

Step 8. Based on the projected enrollment and the anticipated programs of the school, develop the staffing projection for the next five years including teaching staff, principal, para-professionals, clerical and custodial.

Step 9. Project all expense items in the school Chart of Accounts based on the anticipated inflation rate and the plans which were developed in the previous steps.

Step 10. Develop an income projection for the school using all income accounts. Project tuition and fees and multiply the projected number of students times future rates. Also, remember to anticipate family discounts, tuition assistance, and uncollectable tuition. A form to aid in preparing this part of the projection is included at the end of this section of the handbook.

Step 11. Project all other income accounts for the school based on the history of each account.

Step 12. Develop a projection of the communicant membership of the congregation. Use historical figures to determine the number of additions and deletions which normally occur during each year. Project future membership based on historical trends, neighborhood changes, and future evangelism programs of the congregation.

Step 13. Develop an income projection for the congregation by multiplying the projected average annual gift per member times the number of projected confirmands.

Step 14. Project all other income sources for the congregation based on historical trends in each income account.

Step 15. Develop a five year program plan for the congregation. Pay particular attention to program changes which might affect the budget in future years.

Step 16. Translate the membership and program projections into expense projections for each item in the church Chart of Accounts.

Step 17. Summarize all income and expense categories for the school and for the congregation. Also, compile a combined projection for the church and school to determine if a deficit or surplus is projected in future years. The projected surplus or deficit will present an initial picture of what to anticipate in future years and the kinds of decisions that must be made at an early date by the congregation.

Step 18. If it appears that the congregation will be faced with deficits or other problems in future years, a list of alternatives should be developed which have potential for solving the projected problems. A brainstorming approach may be appropriate in which a group of capable and interested people are asked to participate. The magnitude and trend of projected surpluses or deficits will have a major bearing on the kind of alternatives that are proposed by this group.

Step 19. Decisions should be made to implement alternatives which are consistent with the projection. There is nothing worse than implementing a good solution at the wrong time or for the wrong problem. Solutions should be sought which make it possible to project a balanced budget in each of the next five years and still maintain the kind of ministry which should be conducted by the congregation.

Step 20. Plans should be developed to implement the decisions which have been made. These plans should be made in a participative manner, with clear assignments of responsibility and with realistic timetables.

D. DOCUMENTATION OF ASSUMPTIONS

One of the greatest values of a five year projection is achieved when it is annually updated in future years. In order to simplify the annual update, all of the data used to prepare this projection must be carefully documented and available for future use. This documentation is also valuable when questions are asked about the budget or items in the projection during the course of the regular budget year.

When documenting assumptions, it is suggested that all of the factors considered in developing the projection for each account number be written. Assumptions made about inflation as well as program changes should be part of the documentation. If the documentation is well done, it will be easy to update the projection the next year by simply reviewing the assumptions which were made for each account.

E. ANNUAL UPDATE OF PROJECTION

Substantial effort is required to prepare the first five year financial projection for the congregation and school. Once this effort has been expended, projections are relatively easy to update each year, and it would be foolish to let them become obsolete. In order to insure that the projection is updated annually, we recommend that the congregation formally adopt a policy requiring that the update take place. Planning by the congregation is essential and should not be dependent on the ambition or feelings of a treasurer in any particular year. When one treasurer does an excellent job, it is unfortunate if his successor allows these efforts and fine planning to become outdated due to a failure to build on them.

Congregations which prepare five year projections have much more than a sophisticated bookkeeping system. They have established a process of planning and projecting which increases the probability that program plans will be implemented and that the congregation will have a successful ministry in future years.

Note to the reader: You are urged to review the listing of documents on the last page of this booklet. Each document provides detailed information and help for the management of Lutheran schools.

FINANCIAL PROJECTION FORM

Accounts		Previous Years			Budget		Projected Years				
					Approved	Revised					
No.	Title	75-76	76-77	77-78	78-79	78-79	79-80	80-81	81-82	82-83	83-84

TUITION & FEES PROJECTION WORKSHEET

YEAR	TUITION PROJECTION # of Children	x	Rate per child	=	Total	FEES PROJECTION # of Children	x	Rate per child	=	Total
1978-79	21	x	$500	=	$10,500	215	x	$50	=	$10,750
	10	x	400	=	4,000	20	x	25	=	500
	4	x	250	=	1,000		x		=	
	Total Tuition				$15,500	Total Fees				$11,250
	Less: Uncollectable				- 500					
	NET TUITION:				$15,000					
1979-80		x		=			x		=	
		x		=			x		=	
		x		=			x		=	
	Total Tuition				$	Total Fees				$
	Less: Uncollectable				-					
	NET TUITION:				$					
1980-81		x		=			x		=	
		x		=			x		=	
		x		=			x		=	
	Total Tuition				$	Total Fees				$
	Less: Uncollectable				-					
	NET TUITION:				$					
1981-82		x		=			x		=	
		x		=			x		=	
		x		=			x		=	
	Total Tuition				$	Total Fees				$
	Less: Uncollectable				-					
	NET TUITION:				$					
1982-83		x		=			x		=	
		x		=			x		=	
		x		=			x		=	
	Total Tuition				$	Total Fees				$
	Less: Uncollectable				-					
	NET TUITION:				$					
1983-84		x		=			x		=	
		x		=			x		=	
		x		=			x		=	
	Total Tuition				$	Total Fees				$
	Less: Uncollectable				-					
	NET TUITION:				$					

CHURCH CHART OF ACCOUNTS

NUMBERS, TITLES AND DESCRIPTIONS

CHURCH INCOME

1110 General Operating Receipts

1111 Offering Envelopes - Include Sunday envelope receipts as well as envelopes for Christmas, Easter, etc.

1112 Loose Plate Offering - Include loose plate receipts.

1113 Other Envelope Offerings - Include special envelope receipts such as "Mission", "Debt Retirement", etc. which are used for items in the operating budget. If a "special fund" has been established, these receipts would go directly to the fund and would not be recorded as church income. (See page 13.)

1120 Undesignated Gifts

1121 Bequests/Memorials - Include receipts in the form of bequests and memorials which may be used for operating expenses.

1122 Other - Include special gift receipts from church groups, individuals, etc. which can be used for items in the operating budget.

1130 Miscellaneous Receipts

1131 Rental Income - Include receipts from rental of buildings or facilities owned by the congregation.

1132 Grants - Include receipts from outside organizations for special projects, ministries, etc. when costs of the project are part of the operating budget.

1133 Other - Include "net" receipts for items such as flowers, candles, etc.

1140 Synod or District Subsidy - Include receipts from the Synod or District to subsidize the congregation budget.

1150 Transfers from Funds - Include receipts transferred from special funds which will be used for operating budget. These are not loans. (See page 14.)

CHURCH EXPENSES

1200 *Worship*

1201 Salary - Organist/Choir Director - Include gross salary paid to organists, choir director, etc.

1202 Music Supplies - Include sheet music, hymn books, etc.

1203 Altar Supplies - Include communion supplies and other altar supplies.

1204 Guest Organist - Include amounts paid to guest organists.

1300 Pastoral Support & Housing

1301 Salary - Pastor - Include gross salary paid to pastor.

1302 Salary - Associate Pastor - Include gross salary for associate pastor.

1303 Salaries - Other - Include gross salaries paid to part-time pastors, directors of Christian Education, lay ministers, etc.

1304 Substitute Pastors - Include amounts paid for guest speakers, supply pastors, etc.

1305 Auto Allowance - Include amounts paid to pastors as an auto allowance.

1306 Education Allowance - Include expenses for furthering the education of pastors or others.

1307 Conference/Convention Expense - Include costs for pastors to attend conferences and conventions such as registration fees, lodging, meals, travel, etc.

1308 Parsonage Utilities - Include costs for telephone, heat, electricity and water paid for parsonage. Also include utility allowance given to pastor if he pays for his own utilities. If the parsonage is on the same meter with the church and you do not want to prorate these expenses, they can be included under 1403, 1703, 1704, and 1705.

1309 Parsonage Maintenance & Repairs - Include costs for general maintenance/repair of parsonage such as painting, plumbing work, etc. If you do not wish to prorate these expenses, include them under 1709.

1400 Administration & Operation

1401 Salaries - Clerical - Include gross salary for secretary/bookkeeper. If this person also does work for the school, prorate the salary.

1402 Treasurer's Stipend - Include amounts paid to treasurer.

1403 Telephone - Include cost for telephone service for the church.

1404 Printing - Include costs for printing bulletins, church paper, letters to membership, etc.

1405 Office Supplies - Include church stationery, miscellaneous office supplies, paper, etc.

1406 Postage - Include postage used for church mailing as well as costs for meter rental.

1407 Conference/Convention Expenses - Include costs for church workers, council members, etc. to attend conferences and conventions. Include registration fees, travel, lodging, meals, etc.

1408 Subscriptions & Publications - Include cost of subscriptions and publications purchased for church use. May also include church library.

1409 Advertising - Include costs for newspaper ads, yellow pages, etc.

1410 Offering Envelopes & Supplies - Include cost for offering envelopes, statements, etc.

1411 Office Equipment Maintenance - Include costs of repairs and service on office equipment and maintenance contracts.

1412 Miscellaneous - Include expenses which are occasional and unanticipated and would not fit in other expense accounts.

1500 Church Programs

1501 Evangelism Program - Include costs of printed materials with an evangelism emphasis and other program costs.

1502 Stewardship Program - Include printed materials with stewardship emphasis, pledge cards, and other program costs.

1503 Social Concerns Programs - Include costs for membership in community organizations and for programs such as Senior Center, Youth Center, etc. when sponsored by the church.

1500 Church Programs (continued)

1504 Sunday School Program - Include cost of materials for Sunday School program.

1505 Adult Education Program - Include costs of materials for adult education classes, Bible study, etc.

1506 Vacation Bible School - Include costs of materials and other expenses.

1600 Staff Benefits

1601 Health & Life Insurance - Include cost of premiums for church staff.

1602 Pension - Include cost for church staff.

1603 Payroll Taxes - Employer's Share - Include employer's contribution to social security and other payroll taxes for church staff.

1700 Plant Operation

1701 Salary - Custodian/Janitor - Include gross salary for church custodial/janitorial workers.

1702 Contracted Custodial/Janitorial Service - This category is used when a firm is hired to do custodial/janitorial work in lieu of hiring employees.

1703 Heat - Include costs for heating church facility.

1704 Electric - Include costs of electricity for church facility.

1705 Water & Sewer - Include costs for water and sewer for church facility.

1706 Taxes & Assessments - Include municipal assessments for curb and gutter, sidewalks, etc.

1707 Property Insurance & Workmen's Compensation - Include that portion of insurance allocated for church and parsonage.

1708 Janitorial Supplies - Include paper supplies, cleaning supplies, light bulbs, small tools, etc. used in the church.

1700 Plant Operation (continued)

1709 General Maintenance & Repair - Include labor and expenses for repair and maintenance of church building, organ and other equipment by electricians, plumbers, carpenters, etc. Also include supplies and parts for repair of building and equipment done by church staff. Does not include replacement or addition of equipment or major repairs which are included in Capital Outlays. Might also include costs for lawn work, snow removal, etc.

1750 Capital Outlays

1751 Major Repairs - Include major repair work to church facility such as roof replacement, repaving, major repair to heating system, remodeling, etc.

1752 Furniture & Equipment - Include costs for new or replacement furniture and equipment for church such as pews, desks, tables and chairs, carpeting, typewriters and office equipment, public address system, kitchen equipment, lawn mowers, projectors, etc.

1753 New Construction - Include costs for additions to church or parsonage or new buildings such as garages, new wings, etc.

1800 Debt Service

1801 Principal Payments - Include principal payments on mortgages, member notes, commercial loans and other types of congregation indebtedness.

1802 Interest Payments - Include interest charges on mortgages and all church indebtedness.

1900 Missions, Benevolences and Agencies Supported by the Church

1901 Synod or District Missions - Include budgeted gifts transmitted to Synod or District.

1902 Other Charities - Include budgeted gifts to all other charities, organizations, causes, etc.

1903 High School Association - Include budgeted gifts transmitted to a high school association.

1904 Dues and Assessments - Include assessments made by local federations or agencies of the church.

(Non-budgeted special collections would be handled as "Clearing Accounts".) See page 6.

2000 Transfers to Special Fund Accounts - This account would be used if the congregation were to transfer a sum of cash from the regular church account to a special fund account. It would be treated as an expense to the congregation. (See page 14.)

Contingency - May be used in budgeting, but is not an expense account and no expenses would be charged to it.

SCHOOL CHART OF ACCOUNTS

NUMBERS, TITLES AND DESCRIPTIONS

SCHOOL INCOME

3110 Tuition (net) - Include tuition receipts from members and non-members, less any allowance for uncollectible tuition, discounts, etc.

3120 Fees - Include student registration fees, book rental fees, etc. Would not include bus fees, lunch fees, milk fees, etc. which would be handled as "Clearing Account" with net figures reported as income or expense.

3130 Fund Raising (net) - Include net receipts from student or parent fund raising activities such as paper drives, candy sales, pizza sales, etc.

3140 Miscellaneous - Include cash gifts from individuals, or income that may come from any other source.

SCHOOL EXPENSES

3300 Instructional Salaries and Allowances

3301 Salaries - Instructional Staff - Include gross salaries for all full-time and part-time teachers and the principal. Also include the housing allowance portion of their salaries.

3302 Salaries - Aides/Paraprofessionals - Include gross salaries for teachers' aides, paraprofessionals, etc.

3303 Substitute Teachers - Include payments to substitute teachers.

3304 Education Allowance - Include costs for school staff to further their education. Might also include costs of in-service training sessions, professional memberships and journals.

3305 Conference/Convention Expense - Include costs for school staff to attend conferences, conventions, etc. e.g., registration fees, travel, lodging and meals.

3306 Auto Allowance - Include auto allowance for the school staff.

3307 Teacherage Utilities and Other Expenses - If the congregation owns a teacherage, include all related costs in this account.

3400 Administration & Operation

3401 Salary - Secretary - Include gross salary of school clerical workers. May also include a proration of congregation clerical salaries for time spent on school work.

3402 Office Supplies - Include costs of paper and supplies used in the administrative office.

3403 Telephone - Include costs for school telephone(s).

3404 Printing & Postage - Include costs for printing administrative materials, recruiting and public relations materials, school stationery, etc. and postage for school mailings. Would not include costs for printing instructional materials which would be included under Instructional Supplies and Materials.

3405 Office Equipment Maintenance - Include costs for repair and maintenance of school office equipment.

3406 Miscellaneous - Include nominal administrative costs that do not fit in the above categories.

3500 Instructional Supplies & Materials - Include costs for textbooks, workbooks, teaching manuals, etc. purchased by the school and provided to students and teachers. Would include classroom supplies such as paper, pencils and other consumables not for resale to students. Would also include audio visual supplies, photocopying and printing costs of instructional materials, library books, subscriptions, etc.

3600 Staff Benefits

3601 Health & Life Insurance - Include cost of premiums for school staff.

3602 Pension - Include costs of pension benefits for school staff.

3603 Payroll Taxes - Employer's Share - Include employer's contribution to social security and other payroll taxes for the school staff.

3700 Plant Operation

3701 Salary - Custodian/Janitor - Include gross salary for school custodian/janitor. May also include a proration of church custodial salaries for work done in the school.

3702 Contracted Custodial/Janitorial Services - This account is used when a firm is hired to do custodial/janitorial work in lieu of hiring workers.

3700 Plant Operation (continued)

3703 Heat - Include costs for heating school facilities.

3704 Electric - Include costs of electricity for school facilities.

3705 Water & Sewer - Include costs for water and sewer for school facilities.

3706 Taxes & Assessments - Include municipal assessments, taxes for curb and gutter, sidewalks, streets, etc.

3707 Property Insurance & Workmen's Compensation - Include that portion of insurance allocated for school.

3708 Janitorial Supplies - Include paper supplies, cleaning supplies, light bulbs, small tools, etc.

3709 General Maintenance & Repair - Include labor and expenses for repair and maintenance of school facilities and equipment by electricians, plumbers, carpenters, etc. Also include supplies and parts for repair of building and equipment done by school staff. Does not include replacement or addition of equipment or major repairs such as roof replacement, etc., which would be included under Capital Outlays. Might include lawn work, snow removal, etc.

3750 Capital Outlays

3751 Major Repairs - Include major repair work to school facilities such as roof replacement, repaving playground, new boiler, etc.

3752 Furniture & Equipment - Include costs for new or replacement furniture and equipment for school such as desks, projectors, playground equipment, tables, typewriters, duplicating machines, new or used vehicles, etc.

3753 New Construction - Include costs for new additions to the school facilities such as new classrooms, sheds, etc.

3800 Student Services & Programs (net) - Include the net cost of student services and programs such as student transportation, lunch program, athletics, etc. Each activity should have a separate account number and would be handled as "Clearing Accounts". Example: Student Transportation - Bus Fees would be a "credit" to this account and all costs for running and maintaining the buses would be "debits". The "net" difference between fees and expenses would be reported on the Income and Expense Statement. (See page 5.)

E01	WHY THE LUTHERAN SCHOOL	Rev. Paul Pallmeyer Minneapolis, Minnesota
E02	GUIDELINES FOR STARTING A NEW SCHOOL	Mr. Neal Meitler Dr. Martin Wessler Milwaukee, Wisconsin
E03	BOARD OF EDUCATION HANDBOOK	Dr. Glenn Bracht Waverly, Iowa
E04	PERSONNEL HANDBOOK	Mr. Kenneth Markworth Waverly, Iowa
E05	RECRUITMENT/PUBLIC RELATIONS/TRANSPORTATION HANDBOOK	Mr. Richard Sauer Ft. Wayne, Indiana
E06	LEGAL REQUIREMENTS	Mr. Wilbur Tewes Appleton, Wisconsin
E07	CURRICULUM PLANNING GUIDELINES	Dr. Glenn Kraft Seward, Nebraska
E08	FINANCIAL PLANNING AND ACCOUNTING HANDBOOK	Mr. Neal Meitler Milwaukee, Wisconsin
E09	FUNDING ELEMENTARY SCHOOLS	Mr. Neal Meitler Dr. Martin Wessler Milwaukee, Wisconsin
E10	BUILDING AND EQUIPMENT PLANNING	Mr. Robert Eggold Topeka, Kansas
E11	THE ROLE OF ELEMENTARY SCHOOL IN CHANGING COMMUNITIES	Mr. Donald Kell Ann Arbor, Michigan
E12	PARENTS AS PARTNERS	Mr. Eldor Kaiser Appleton, Wisconsin
E13	MODEL LUTHERAN SCHOOLS	Mr. Ellsworth Kierbs Seward, Nebraska

The above materials can be ordered from:

Board of Parish Education
The Lutheran Church-Missouri Synod
3558 South Jefferson Avenue
St. Louis, Missouri 63118

or

The American Lutheran Church
Mr. Don Vetter
Wartburg College
Waverly, Iowa 50677

The most effective agencies available to the Church for equipping God's people for ministry are the Lutheran elementary and secondary schools.

8340